

## MEMORANDUM



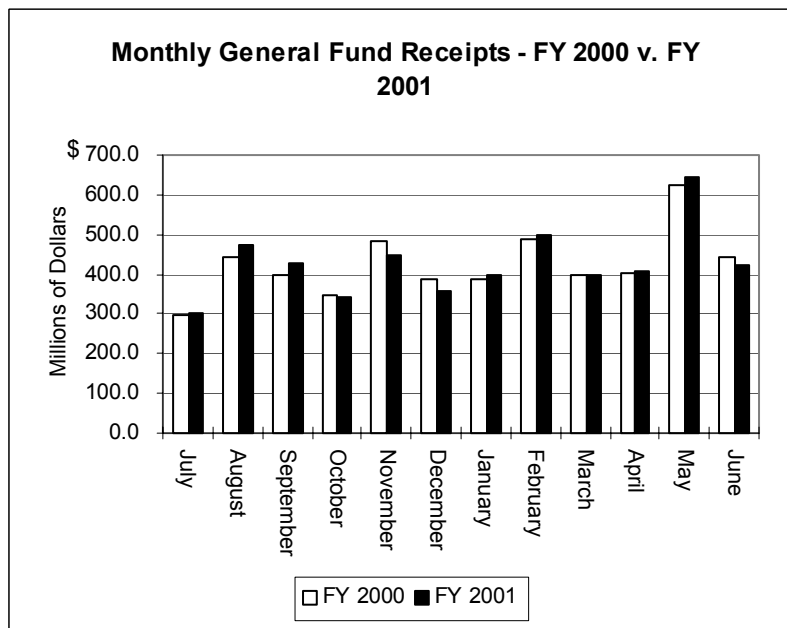
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: July 2, 2001

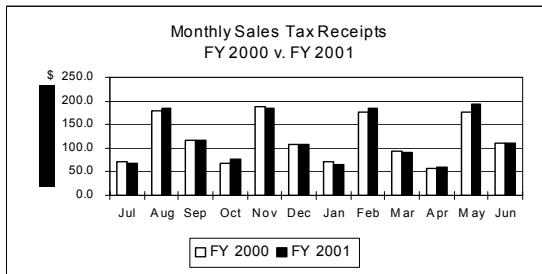
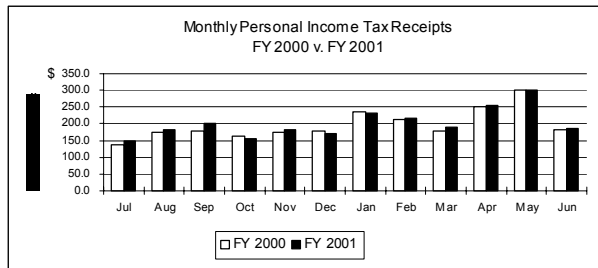
### General Fund Receipts Through June 30, 2001

The attached spreadsheet represents total FY 2001 estimated General Fund receipts, with comparable figures for actual FY 2000. These can be compared to the FY 2001 estimate (\$5.131 billion) set by the Revenue Estimating Conference (REC) on March 14, 2001. The estimate represents an increase of \$34.2 million (0.7%) compared to actual FY 2000.



## FY 2001 Compared to FY 2000

Fiscal year 2001 revenue increased by \$17.5 million (0.35%) compared to FY 2000. This is below the FY 2001 REC estimate by \$16.5 million (0.33%).



**Gross personal income tax** revenues received in June totaled \$188.3 million, an increase of \$4.9 million (2.7%) compared to June 2000.

The REC FY 2001 income tax revenue estimate of \$2.422 billion represents a projected increase of 1.9% compared to actual FY 2000. The actual annual growth was 2.1%.

The State tracks personal income tax in three sub-categories:

Withholding receipts increased 4.4% for the year and finished \$44.7 million above the REC projected percentage increase for personal income tax receipts. Revenues collected through withholding tax payments were strong for all four quarters in FY 2001 when compared to FY 2000.

Estimated tax payments decreased 3.5% for the year and finished \$17.6 million below the REC projected percentage increase for personal income tax receipts. Revenues collected through estimated tax payments were above FY 2000 for the first two quarters, but fell below the REC projection when tax year 2000 fourth quarter payments were processed in January 2001. This could be due to the decline in stock values experienced in 2000.

Tax payments with returns decreased 6.5% for the year and finished \$22.1 million below the REC projected percentage increase for personal income tax receipts. The majority of revenues collected when taxpayers file annual personal income tax returns is received during the mid-March to mid-May filing period. There was a significant decrease in revenues collected during that time period. This also could be partially the result of decreased profits and increased losses due to the decline in stock market value experienced in 2000.

In summary, personal income tax withholding receipts, which account for 75.0% of income tax receipts, were very healthy throughout FY 2001 when compared to FY 2000. However, weakness in estimate payments and payments with returns negated most of the gains, leaving an increase of \$5.1 million above the REC projection.

The Chart above compares monthly personal income tax receipts for FY 2000 with FY 2001.

**Gross sales tax** revenues received in June totaled \$111.4 million, a decrease of \$0.5 million (0.4%) compared to June 2000.

The REC estimate for FY 2001 sales tax receipts is \$1.448 billion, which represents an increase of 2.2% compared to actual FY 2000. The actual annual growth was 1.8%. Sales tax receipts were slightly above projections during the first quarter of FY 2001, but steadily declined compared to FY 2000 in the second and third quarters. There was a marked recovery at the end of April which allowed sales tax receipts to end the year just \$6.7 million below the REC estimate.

The Chart above compares monthly sales tax receipts for FY 2000 with FY 2001.

**Corporate income tax** receipts in June were \$32.6 million, a decrease of \$15.1 million (-31.7%) compared to June 2000.

The REC projected FY 2001 corporate income tax receipts at \$308.9 million, a decrease of 5.3% compared to actual FY 2000. The actual FY 2001 decrease was 12.6%. Corporate tax receipts were strong in the first two quarters when compared to FY 2000, but began to drop considerably in mid-December. The significant decline continued through the end of the year, leaving corporate tax receipts \$24.1 million below the REC projection. Approximately \$13.0 million of the shortfall may be due to June 30, 2001, falling on a Saturday. Corporate estimated income taxes due that day would not be expected until July 2, 2001. Those receipts will be reflected in FY 2001 revenue accruals. However, the REC estimate and the projected FY 2001 revenue accrual amount were established with the June 30 corporate tax issue in mind.

**Other tax receipts**, such as insurance, inheritance, and use tax for FY 2001 were very close to REC FY 2001 projections in most cases. Total other tax sources were estimated at \$620.0 million, while actual FY 2001 receipts were \$622.9 million.

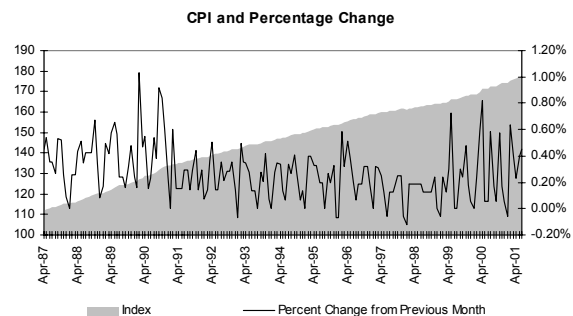
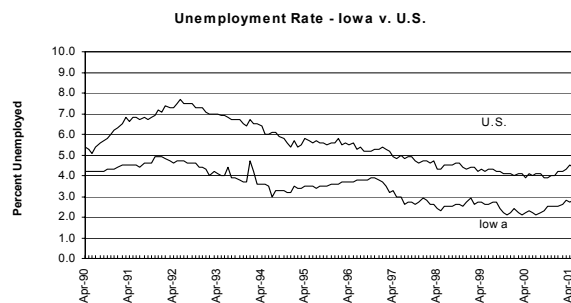
**Non-tax revenues** such as liquor profits, fees, interest, etc. were \$6.2 million above the REC estimate of \$332.2 million, with \$5.8 million of the difference due to fee revenues exceeding projections.

### Status of the Economy

The seasonally adjusted percent unemployed for the State in May rose to 2.8% from April's rate of 2.7%. The unemployment rate a year ago was 2.6%. The 2.8% rate is the highest level measured since January of 1999 when the rate was 2.9%. Iowa's total adjusted May employment registered at 1,524,300, up 7,500 from last year's level of 1,516,800. The number of unemployed persons in Iowa stood at 43,500 in May, which is up compared to last year's level of 41,100. The U.S. unemployment rate was 4.4% for May, up from the May 2000 rate of 4.1%.

Consumer prices in April increased by 0.5% from April's level. The Consumer Price Index (CPI-U) through May 2001 was 177.7 (1983=100), which is 3.7% higher than one year ago.

The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through May 2001.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616).

| GENERAL FUND RECEIPTS - FY 2000 vs. FY 2001<br>July 1 through June 30, in millions of dollars<br>Dollars may not add due to rounding |            |           |                          | ESTIMATED GENERAL FUND RECEIPTS<br>in millions of dollars<br>FY 00 Actual Compared to FY 01 REC Estimate |                   |                     |          |
|--|------------|-----------|--------------------------|--|-------------------|---------------------|----------|
|  | FY 2000    | FY 2001   | Year to Date<br>% CHANGE | June<br>% CHANGE   | Actual<br>FY 2000 | Estimate<br>FY 2001 | % CHANGE |
| Personal Income Tax  | \$ 2,375.9 | \$2,426.6 | 2.1%                     | 2.7%   | \$ 2,375.9        | \$ 2,421.5          | 1.9%     |
| Sales Tax  | 1,416.6    | 1,441.7   | 1.8%                     | -0.4%  | 1,416.6           | 1,448.4             | 2.2%     |
| Use Tax  | 246.8      | 249.4     | 1.1%                     | -7.9%  | 246.8             | 249.0               | 0.9%     |
| Corporate Income Tax   | 326.1      | 284.8     | -12.7%                   | -31.7%   | 326.1             | 308.9               | -5.3%    |
| Inheritance Tax  | 114.8      | 104.6     | -8.9%                    | 4.7%   | 114.8             | 103.1               | -10.2%   |
| Insurance Premium Tax  | 120.2      | 126.6     | 5.3%                     | -9.3%  | 120.2             | 123.2               | 2.5%     |
| Cigarette Tax  | 91.1       | 89.6      | -1.6%                    | 1.1%   | 91.1              | 90.5                | -0.7%    |
| Tobacco Tax  | 6.6        | 6.7       | 1.5%                     | 0.0%   | 6.6               | 7.2                 | 9.1%     |
| Beer Tax   | 13.6       | 13.6      | 0.0%                     | 0.0%   | 13.6              | 13.8                | 1.5%     |
| Franchise Tax  | 31.8       | 31.2      | -1.9%                    | -17.0%   | 31.8              | 31.9                | 0.3%     |
| Miscellaneous Tax  | 1.3        | 1.3       | 0.0%                     | -72.5%   | 1.3               | 1.3                 | 0.0%     |
| Total Special Taxes  | \$ 4,744.8 | \$4,776.1 | 0.7%                     | -3.0%  | \$ 4,744.8        | \$ 4,798.8          | 1.1%     |
| Institutional Payments   |            |           |                          |  |                   |                     |          |
| Liquor Transfers:  | 49.7       | 47.2      | -5.0%                    | 18.9%  | 49.7              | 47.8                | -3.8%    |
| Profits  | 36.0       | 37.5      | 4.2%                     | -12.5%   | 36.0              | 37.0                | 2.8%     |
| 7% Gross Revenue   | 9.0        | 9.0       | 0.0%                     | 0.0%   | 9.0               | 9.0                 | 0.0%     |
| Interest   | 26.0       | 18.2      | -30.0%                   | -50.0%   | 26.0              | 18.3                | -29.6%   |
| Fees   | 66.3       | 72.5      | 9.4%                     | 6.9%   | 66.3              | 66.7                | 0.6%     |
| Judicial Revenue   | 52.3       | 48.8      | -6.7%                    | -78.7%   | 52.3              | 51.0                | -2.5%    |
| Miscellaneous Receipts   | 52.7       | 45.2      | -14.2%                   | -2.6%  | 52.7              | 42.4                | -19.5%   |
| Racing and Gaming Receipts   | 60.0       | 60.0      | 0.0%                     | 0.0%   | 60.0              | 60.0                | 0.0%     |
| TOTAL RECEIPTS   | \$ 5,096.8 | \$5,114.5 | 0.3%                     | -4.0%  | \$ 5,096.8        | \$ 5,131.0          | 0.7%     |